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CENTRAL INTELLIGENCE AGENCY

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CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: Notes on Chinese Communist Situation

1. Writing in 1939, Mao deplored the loss of "many Chinese dependent states and a part of her territory." As cases in point, he cited Korea, Taiwan, Burma, Bhutan, Nepal, and Annam in Indochina, among others. The list suggests the range and breadth of Chinese Communist irredentism. The claim to Taiwan is something more than one of the important issues that divide Communist China and the United States. It is a parallel of Hitler's claim to Danzig, part and parcel of a revanchism that involves the security interests of all China's neighbors.

2. In this connection, we have been watching an accumulation of signs over the past half year that Peiping is hopeful of consolidating a sphere of influence in Phong Saly, the northernmost province of Laos. For instance:

--The Chinese have just established a large consulate in the province, headed by a major general of long experience in the border area.

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--Souvanna Phouma last April accepted Peiping's offer to build a road into Phong Saly from China. This road is as suggestive of Peiping's ambitions as the planned highway from Tibet to Katmandu, which will for the first time afford Peiping strategic access to areas south of the main Himalayan barrier.

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3. Continuing discrepancies between Chinese and Soviet maps, along with a few reports of Sino-Soviet border incidents, suggest that Moscow shares with China's Free World neighbors a certain suspicion of Peiping on the subject of boundary lines. This is not, however, among the principal points at issue between Moscow and Peiping; these revolve mainly around the Soviet choice of a more gradualistic strategy against the Free World than the Chinese urge. We are impressed by the strains in the Sino-Soviet alliance that have developed over the past few years and by the failure to achieve any real resolution of differences at the conclave of Communist parties in Moscow last November.

4. The Chinese have not yet worked out their reply to the latest Soviet challenge voiced by Khrushchev and other Russian speakers at the Party Congress in Moscow which concluded last week. Many Communists throughout the world feel that the polemic must be muffled in the interests of bloc unity, and Chou En-lai urged this point above all in his speech at the Congress. The Chinese seem to understand their vital interest in holding the alliance together. The Chinese, moreover, have evinced pleasure at Khrushchev's shift to more militant policies on such issues as nuclear testing and by his increased readiness to support "national liberation" struggles.

5. Communist China's current economic weaknesses may affect its posture toward the USSR.

--It is now pretty well established that the Chinese have suffered their third successive year of poor harvests.

--A recent study on rations in Kwangtung Provinces last May showed that the average adult diet had fallen to only 1400 calories per day in rural areas; in Canton it came to 1600 calories.

--The expenditure of scarce foreign exchange for grain imports has forced a cut-back of industrial expansion.

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--The record has been an acute embarrassment to Communist China's leaders accustomed to claims of "leap-forward" achievements and boastful of the model they were providing for other underdeveloped countries. They have not released statistics of performance in 1960 or of planned targets for this year.

6. The economic disasters have brought a sharp loss of popular elan. Local officials tend to distrust directives from higher echelons and show a disposition to tolerate indiscipline on the part of the general population. The supervisory reins thus loosened, peasants have reverted to older farming practices, and the population generally has become somewhat bolder to voice its grievances. This boldness has on a few occasions resulted in anti-regime displays and some bloodshed. A hunger riot in one Manchurian city early this year and a demonstration there that resulted in the summary execution of several persons typify some of the recent reporting that we have received on the subject. Ethnic minorities are restive, and clashes with the Chinese have been reported in Inner Mongolia and elsewhere, although not on the scale of the Tibetan uprising.

7. The armed forces seem to be eating well, and there are no persuasive reasons to question their commitment to the present regime. There is nevertheless an emerging picture of growing sympathy in the army with the problems of civilians. Military guards stationed near the Hong Kong border sometimes display a deliberate laxity in their chase of villagers trying to escape to the Crown Colony.

8. To cope with the situation, Peiping has been forced to take a breather in 1961 and relax some of the pressures on the country.

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-- [] a diminution of coercions on the people to attend long indoctrination meetings and "volunteer" for after-hours activities.

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--Peasants are again allowed to cultivate private plots and sell some of their produce on free markets.

--There is little propaganda on industrial targets and increased emphasis on the urgency of expanding the agricultural effort.

--A certain conciliatory attitude has been noted toward non-Communist intellectuals who are encouraged to express their views more freely, at least on scientific and other non-political subjects. After the crackdown on intellectuals who responded to the same encouragement in 1957, very few are taking the bait today.

--A reshuffle of party personnel in the provinces seems to have effected the replacement of some "leap-forward" extremists by persons who hold more moderate views of the pace at which the populace can be pushed.

9. At the national level, the leadership is unchanged, and apparently unthreatened. Mao's prestige has suffered as a result of the failure of his commune and leap-forward programs, but he is nevertheless still the center of a thriving "cult of the individual." Liu Shao-chi seems to us to be secure in his position of heir-apparent, and Chou En-lai continues as he has for years past to be the third ranking man in the regime. We anticipate mounting disorders during the coming year of starvation diets but are impressed with the ability of the present leadership to hold on to the reins of power.

10. If the Mao regime does hang on, we expect that the Communists may eventually effect a restoration of economic balance and be in a position to resume their industrial advance. Their achievements over the years, despite the disaster that followed in the wake of the "leap forward," were impressive although limited to the industrial and military sectors of the economy. In agriculture, the Chinese Communists have done little better than keep pace with population growth. On the basis of the past record, we expect no relief for the Chinese peasant from long hours of back-breaking labor and foresee little prospect for improvement in his material well-being.

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